

ANNUAL REPORT *to* *Stockholders*



December 31, 1930

MONTGOMERY WARD & Co.,
INCORPORATED

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Montgomery Ward & Co

Annual Report to Stockholders

MONTGOMERY WARD & CO., INCORPORATED

January 27, 1931

To the Stockholders:

During 1930, the number of Stockholders grew from 49,700 to 65,200 and this further diversification of Company ownership makes it increasingly desirable to follow our previous plan of supplementing the usual formal statement with some detailed comments on your Company's affairs.

In common with most corporations, 1930 proved extremely difficult for Montgomery Ward & Co. Early in the year it became evident that the country was in a major business depression and your management determined that its chief responsibility was conservation of the Company's assets. A large decline in Mail Order sales and a severe drop in commodity prices created abnormal problems. However, I am glad to report that we came through the year without any loss. After writing Inventories down to market or cost, whichever was lower, setting up ample reserves and charging off \$1,790,000 of Retail Leasehold and Mail Order Improvements, we show Net Profits of \$568,211. This compares with a loss of \$7,855,278 in the depression year of 1920.

During 1930 our Quarterly performance was as follows:

1st Quarter ending March 31st, loss.....	\$2,318,260
2nd Quarter ending June 30th, loss.....	185,473
3rd Quarter ending Sept. 30th, loss.....	345,258
4th Quarter ending Dec. 31st, profit.....	3,417,202

Net Profit for 1930\$ 568,211

Your Company is now in the strongest financial position it has ever occupied, as the accompanying Balance Sheet clearly shows. The ratio of Current Assets to Current Liabilities is 14.33 to 1, compared with 11.08 to 1 at the end of 1929 and 5.42 to 1 at the end of 1928.

Your attention is especially directed to our Inventory position. During the year we reduced Inventories of merchandise and supplies from \$67,145,000 to \$51,420,000. Not only have the hazards of large Inventory losses been overcome, but we are very favorably situated as regards competitive selling prices.

Accounts, Notes and Mortgages increased \$7,858,000 during 1930, \$4,601,186 of which was caused by larger time payment sales and the remainder is represented by mortgage loan notes taken in payment of Ready-Cut-Homes. During the year we increased our efforts to sell merchandise on the installment plan and are satisfied with the results. Collections have held up well and we will continue to sell on the easy payment plan to all customers who are entitled to that service.

The following summary gives comparative Gross Sales for 1929 and 1930:

	1929	1930
Mail Order	\$166,677,173	\$123,932,506
Retail	124,853,448	148,387,119
Total	<u>\$291,530,621</u>	<u>\$272,319,625</u>

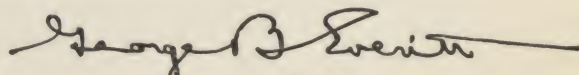
Mail Order sales showed considerable shrinkage, although the decline was less severe than in the somewhat similar 1921 period. Mail Order sales come largely from the farms and very small towns and considering the agricultural difficulties, have been about as large as we could reasonably expect. The 1930 preliminary census figures show that rural and small-town population is over 50,000,000, having declined only 2% in the past ten years. There exists, therefore, an enormous field for Mail Order business. Any improvement in agricultural conditions will quickly reflect itself in increased Mail Order volume. As a matter of fact, in 1930 we received almost as many Mail Orders as the previous year, indicating the great interest in and frequent use of the Mail Order method. It was the severe decrease in the value of the average order, rather than any decline in buying habit, that caused the recession in Mail Order business.

Retail sales were satisfactory and when the decline in commodity prices is taken into account, it is clear that in 1930 Montgomery Ward & Co. distributed more merchandise to customers than in any year in its history. We held our trade, maintained a reputation for selling excellent merchandise at low prices, and improved our customer goodwill to a degree that is certain to benefit future operations.

Organization has been consolidated and improved, expenses in all elements of the business have been reduced and we are prepared to take full advantage of any upturn in consumer buying. Your Company has fared better—to the extent of many millions—in this depression, than in the 1920-1921 period and we can with rightful optimism look forward to a resumption of our substantial earning record as business activities rise. With a greater group of customers than we have ever previously served, an outstandingly strong financial position and every major element of the business in control, the prospects for growth in sales and profits over the next 24 months seem excellent.

While 1930 was generally an unsatisfactory year for everyone, it is a short period in the life of any corporation. America will recover from this present depression, just as it has from all previous ones—and Montgomery Ward & Co. Stockholders will find their company keeping step with such recovery.

MONTGOMERY WARD & CO., INCORPORATED


President

MONTGOMERY WARD

BALANCE SHEET — (Compared with 1929)

ASSETS	December 31, 1929	December 31, 1930
Current and Working Assets:		
Cash and Call Loans.....	\$37,492,165.35	\$28,050,453.98
Marketable Securities.....	311,048.00	206,848.00
Accounts, Notes and Mortgages (less Reserve)...	22,401,703.65	30,259,630.17
Inventories of Merchandise and Supplies.....	67,145,033.65	51,419,917.14
Prepaid Spring Catalogue Costs, Insurance, Rents, etc.....	<u>1,869,775.27</u>	<u>2,100,970.87</u>
Total Current and Working Assets.....	\$129,219,725.92	\$112,037,820.16
Employees' Investment and Savings Plans:		
Due on Common Stock sold Employees:		
1928 and 1929 Plans.....	\$ 4,724,484.71	\$ — *
1928 Plan.....	—	378,973.56
Common Stock on Hand:		
December 31, 1929 — 19,715 shares at cost....	1,271,704.16	—
December 31, 1930 — 33,209 shares at cost....	<u>—</u>	<u>1,780,141.50*</u>
	5,996,188.87	2,159,115.06
Investments — Affiliated Companies	606,886.07	623,893.17
Fixed Assets:		
Equity in Subsidiary Property Corporation as per Balance Sheet attached:		
Montgomery Ward Properties Corporation.....	22,992,555.26	24,090,312.69
Equity in Chicago Administration Building.....	614,529.63	736,087.56
Land.....	2,682,541.77	2,683,116.93
Buildings.....	\$ 4,377,416.73	\$ 4,454,021.23
Machinery and Equipment.....	<u>19,416,377.50</u>	<u>21,914,410.98</u>
	\$23,793,794.23	\$26,368,432.21
Less: Reserve for Depreciation.....	<u>6,079,303.37</u>	<u>7,763,799.93</u>
	17,714,490.86	18,604,632.28
Retail Store Leasehold Improvements, etc. (less Amortization).....	<u>7,784,774.77</u>	<u>7,135,314.08</u>
Total Fixed Assets.....	\$ 51,788,892.29	\$ 53,249,463.54
	<u>\$187,611,693.15</u>	<u>\$168,070,291.93</u>

MONTGOMERY WARD & CO., INCORPORATED

DECEMBER 31, 1930
(December 31, 1929)

LIABILITIES	December 31, 1929	December 31, 1930
Current Liabilities:		
Notes Payable.....	None	None
Accounts Payable.....	\$ 6,348,746.50	\$ 3,536,863.76
Due Customers.....	2,819,324.41	2,411,691.93
Accrued Expenses, including General and Federal Taxes.....	2,492,603.50	1,872,066.26
Total Current Liabilities.....	\$ 11,660,674.41	\$ 7,820,621.95
 Employees' Payments on 1929 Investment and Savings Plan.....	—	433,066.88*
 General Reserves.....	1,494,208.17	1,359,559.30
 Capital Stock:		
Authorized —		
Class "A"—\$7 per Share Cumulative: 205,000 shares, having no par value (On liquidation or dissolution receives \$100 per share)		
Common —		
6,000,000 shares, having no par value		
Issued —		
Class "A"—205,000 shares		
Common —		
4,620,768 shares..... December 31, 1929	127,663,740.08	123,202,620.08*
*4,565,004 shares..... December 31, 1930		
 Earned Surplus.....	46,793,070.49	35,254,423.72
	<u>\$187,611,693.15</u>	<u>\$168,070,291.93</u>

*Due to change in treatment of the transactions arising out of the 1929 Employees' Investment and Savings Plan.

We have audited the accounts of Montgomery Ward & Co., Incorporated, for the year ended December 31, 1930, and certify that the above Balance Sheet and accompanying Income and Surplus Accounts are in accordance therewith, and, in our opinion, correctly set forth the financial position of the Company as at December 31, 1930, and the result of its operations for the year to that date. Inventories of merchandise and supplies have been valued at cost or market, whichever was lower.

ARTHUR YOUNG & CO.
Certified Public Accountants.

Chicago, Illinois, January 24, 1931

MONTGOMERY WARD & CO., INCORPORATED

INCOME ACCOUNT

For the Years ended December 31, 1929 and 1930

	1929	1930
Net Sales.....	\$267,325,503.00	\$249,097,223.00
Less:		
Cost of goods sold, wages, operating, general and selling expenses, advertising and all administrative charges, including interest and general taxes.....	\$251,120,709.53	\$246,060,739.62
Depreciation on properties, leasehold improve- ments and equipment.....	1,699,858.38	2,468,272.28
	252,820,567.91	248,529,011.90
Net Profit (before Federal Income Tax).....	\$ 14,504,935.09	\$ 568,211.10
Less:		
Reserved for Federal Income Tax.....	1,070,000.00	145,000.00
Net Profit.....	\$ 13,434,935.09	\$ 423,211.10

EARNED SURPLUS ACCOUNT

As at December 31, 1929 and 1930

	1929	1930
Balance, January 1st.....	\$ 45,597,906.30	\$ 46,793,070.49
Net Profit for the year as above.....	13,434,935.09	423,211.10
	\$ 59,032,841.39	\$ 47,216,281.59
Dividends Paid:		
Class "A" Stock.....	\$ 1,427,818.00	\$ 1,427,818.00
Common Stock.....	10,440,842.82	10,229,734.75
	\$ 47,164,180.57	\$ 35,558,728.84
Expenses incident to increase in Common Stock; and premium and other costs in connection with Retirement of Bonds of Subsidiary Companies.....	371,110.08	—
Additional Federal Income Tax for prior years.....	—	304,305.12
Balance, December 31st.....	\$ 46,793,070.49	\$ 35,254,423.72

RECORD OF NET SALES

Years ended December 31st

1930.....	\$249,097,223	1925.....	\$170,592,642
1929.....	267,325,503	1924.....	150,045,065
1928.....	214,350,446	1923.....	123,702,043
1927.....	186,683,340	1922.....	84,738,826
1926.....	183,800,865	1921.....	68,523,244

MONTGOMERY WARD PROPERTIES CORPORATION

BALANCE SHEET

December 31, 1930

ASSETS

Fixed Assets:

Land.....		\$ 3,020,130.58
Buildings.....	\$ 22,628,524.41	
Less: Reserve for Depreciation.....	<u>1,406,342.30</u>	<u>21,222,182.11</u>
		<u>\$24,242,312.69</u>

LIABILITIES

Purchase Money Mortgage (Jamaica, L. I.), due March 1, 1933.....	\$ 152,000.00
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Equity of Montgomery Ward & Co., Incorporated:

Current Account.....	\$ 22,340,312.69	
Capital Stock—17,500 shares, \$100 par.....	<u>1,750,000.00</u>	<u>24,090,312.69</u>
		<u>\$24,242,312.69</u>

Comments:

Montgomery Ward Properties Corporation (a Delaware Corporation) has an authorized Capital of \$3,000,000 represented by 30,000 shares of \$100 par. Of this, 17,500 shares have been issued, all of which are owned by Montgomery Ward & Co., Incorporated.

The Company owns land and buildings at Kansas City, St. Paul, Portland, Oakland, Baltimore, Albany, Denver, Ft. Worth, Oklahoma City, Spokane, Des Moines, Syracuse and Jamaica, all free and clear of incumbrances, except Jamaica on which the Company assumed a mortgage at the date of purchase.

